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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4367

December 5, 2002

R E S O L U T I O N

**(RES. W-4367), LUKINS BROTHERS WATER COMPANY
(LBWC), ORDER AUTHORIZING A ONE-TIME SURCHARGE
TO RECOVER AN INCREASE IN WATER TESTING COSTS
AND DEPARTMENT OF HEALTH SERVICES FEES
PRODUCING AN INCREASE IN ANNUAL REVENUE OF
\$10,953 OR 3.53%.**

SUMMARY

By Advice Letter No. 38, filed on October 18, 2002, LBWC seeks to add a one-time surcharge to its tariff Schedule No. 1A, Annual Metered Service and Schedule No. 2A, Annual Flat Rate Service, resulting in an increase in annual revenues of \$11,003 or 3.55%. This increase is to recover water testing costs and Department of Health Services (DHS) Fees incurred from June 2000 through July 2002 over and above the amount allowed in the last general rate case. LBWC's present rates became effective on April 8, 2002, pursuant to Decision No. 92-03-093, which authorized a Consumer Price Index (CPI) offset of \$4,882.60 or 1.6%. The last general rate case increase became effective June 8, 2000, pursuant to Resolution (Res.) No. W-4198, which authorized an increase in rates of \$59,885 or 25.46%, and a rate of return of 12.5%. This rate increase will not result in a rate of return greater than that authorized by Res. No. W-4198 since LBWC presently is operating at a loss.

BACKGROUND

LBWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$11,003 in water testing costs and DHS fees. LBWC serves approximately 936 flat and metered customers mainly in South Lake Tahoe, California. Staff reviewed all invoices for the water testing costs and the DHS fees. Staff determined that LBWC made an error in their

calculations by inadvertently excluding the amounts authorized in the last two CPI offset increases. The original amount authorized in the last general rate case for water testing costs was \$997. The two CPI offsets increased the amount allocated to these expenses to \$1,031 in 2001 and to \$1,047 in 2002. The actual balancing account undercollection of \$10,953 was not covered by the rates authorized in Res. No. W-4198 and the two CPI filings. Res. No. W-4198 did not include in rates any expenses for DHS fee recovery, so all of those expenses are recoverable dollar for dollar. LBWC's Earnings Test for the calendar year 2001 shows a loss and that the company is not over earning on an actual basis.

DISCUSSION

Res. No. W-4013, dated December 20, 1996, which expired January 1, 2002, and Res. No. W-4327, dated March 6, 2002, authorized all Class B, C, and D Water Utilities to establish water quality memorandum accounts (WQMA) for recording expenses resulting from drinking water regulations, including water sampling, testing, reporting, and treatment costs, and office of drinking water user fee memorandum accounts (UFMA) to track California DHS user fees not presently included in rates. Class B, C and D Water utilities were also authorized to request recovery of these account balances by advice letter filings in accordance with General Order No. 96-A. WQMA recovery requires a resolution, while UFMA recovery does not. Since this advice letter requests recovery from both WQMA and UFMA, this resolution deals with both.

The surcharge requested herein would allow LBWC to recover WQMA and UFMA balances, which total \$10,953 from June 2000 through July 2002. The Water Branch recommends that LBWC be authorized to assess a one-time surcharge of \$11.70 per customer to recover the \$10,953 balance, which will be booked in WQMA and UFMA balancing accounts.

Service is satisfactory. LBWC is in compliance with all Commission orders.

NOTICE AND PROTESTS

Notice of the proposed rate increase was mailed to all customers of record on September 30, 2002. There were no protests concerning the proposed increase.

FINDINGS

The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Lukins Brothers Water Company, Inc. is authorized, five days after the effective date herein, to make effective revised Schedule No. 1A, Annual Metered Service and Schedule No. 2A, Annual Flat Rate Service, attached to Advice Letter 38, and to cancel the corresponding presently effective rate schedules.
2. Lukins Brothers Water Company, Inc. is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 5, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director